

*FREEDOM SCHOOL PARTNERS, INC.*

*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2018*

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***FREEDOM SCHOOL PARTNERS, INC.***  
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**December 31, 2018**

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# C. DEWITT FOARD & COMPANY, P.A.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Freedom School Partners, Inc.  
Charlotte, North Carolina

We have audited the accompanying financial statements of Freedom School Partners, Inc. (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Freedom School Partners, Inc., as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and our report dated April 25, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.  
April 3, 2019

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**FREEDOM SCHOOL PARTNERS, INC.****STATEMENT OF FINANCIAL POSITION****December 31, 2018, With Prior Year Comparative Totals**

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	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Cash	\$ 820,246	\$ 739,745
Receivables:		
Promises to give	3,000	7,000
Sales tax refund	4,048	3,652
Stock proceeds	-	3,640
Prepaid expenses	4,184	7,895
Property and equipment, net of accumulated depreciation	5,264	1,210
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 836,742</u></b>	<b><u>\$ 763,142</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 52,386	\$ 43,591
<u>Total Liabilities</u>	<u>52,386</u>	<u>43,591</u>
Net Assets:		
Without restrictions:		
Undesignated	458,832	360,054
Designated	301,956	301,956
<u>Total Net Assets Without Restrictions</u>	<u>760,788</u>	<u>662,010</u>
With restrictions	23,568	57,541
<u>Total Net Assets</u>	<u>784,356</u>	<u>719,551</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 836,742</u></b>	<b><u>\$ 763,142</u></b>

**FREEDOM SCHOOL PARTNERS, INC.****STATEMENT OF ACTIVITIES****Year Ended December 31, 2018, With Prior Year Comparative Totals**

	December 31, 2018			Prior Year Comparative Totals
	Unrestricted	Temporarily Restricted	Totals	
<b><u>SUPPORT AND REVENUE</u></b>				
Contributions:				
Cash	\$ 2,587,352	\$ 15,000	\$ 2,602,352	\$ 2,262,396
In-kind	89,203	-	89,203	86,837
Investment income	4,287	-	4,287	1,397
Program service fees	13,357	-	13,357	12,034
Gain (loss) on disposal of equipment	-	-	-	4,089
Net assets released from restrictions:				
Satisfaction of time restrictions	42,541	(42,541)	-	-
Satisfaction of purpose restrictions	6,432	(6,432)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,743,172</b>	<b>(33,973)</b>	<b>2,709,199</b>	<b>2,366,753</b>
<b><u>EXPENSES</u></b>				
Program services	1,914,441	-	1,914,441	1,945,982
Supporting services:				
Management and general	252,057	-	252,057	162,567
Fundraising	477,896	-	477,896	390,745
Total Supporting Services	729,953	-	729,953	553,312
<b>TOTAL EXPENSES</b>	<b>2,644,394</b>	<b>-</b>	<b>2,644,394</b>	<b>2,499,294</b>
<b>CHANGE IN NET ASSETS</b>	<b>98,778</b>	<b>(33,973)</b>	<b>64,805</b>	<b>(132,541)</b>
<b>NET ASSETS, BEGINNING</b>	<b>662,010</b>	<b>57,541</b>	<b>719,551</b>	<b>852,092</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 760,788</b>	<b>\$ 23,568</b>	<b>\$ 784,356</b>	<b>\$ 719,551</b>

**FREEDOM SCHOOL PARTNERS, INC.****STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2018, With Prior Year Comparative Totals**

	Program Services	Supporting Services Management and General	Fund Raising	Totals	Prior Year Comparative Totals
<b><u>PERSONNEL</u></b>					
Salaries and wages	\$ 841,759	\$ 154,892	\$ 290,508	\$ 1,287,159	\$ 1,171,749
Payroll taxes	64,406	11,799	22,155	98,360	95,148
Employee benefits	49,717	10,380	28,047	88,144	81,630
<b>Total</b>	<b>955,882</b>	<b>177,071</b>	<b>340,710</b>	<b>1,473,663</b>	<b>1,348,527</b>
<b><u>OTHER EXPENSES</u></b>					
Curriculum and training	399,707	-	-	399,707	418,997
Bus rental	157,113	-	-	157,113	139,084
Occupancy	54,434	25,942	24,610	104,986	102,592
Field trips/activities	61,514	-	-	61,514	79,232
Supplies	44,299	8,089	6,698	59,086	63,790
Food	61,219	-	-	61,219	63,341
Travel and meetings	15,609	5,301	5,685	26,595	25,633
Evaluations	55,472	-	-	55,472	57,590
Uniforms	17,302	-	-	17,302	17,965
Site technology	10,154	-	-	10,154	16,963
Year-round engagement	6,781	-	-	6,781	3,763
Professional fees	6,700	11,350	9,412	27,462	19,501
Telephone	2,077	5,458	1,571	9,106	6,815
Liability insurance	7,855	3,927	3,927	15,709	14,080
Marketing	145	-	56,456	56,601	46,448
Printing	4,645	2,382	2,459	9,486	6,880
Depreciation	-	1,389	-	1,389	3,169
Parent meetings	8,410	-	-	8,410	7,815
Equipment and vehicle	17,845	2,617	2,617	23,079	14,350
Postage	3,260	1,628	3,402	8,290	4,147
Celebrations	20,828	-	-	20,828	21,507
Dues and subscriptions	2,941	2,012	17,265	22,218	12,672
Service charges	114	1,077	3,084	4,275	4,433
Miscellaneous	135	3,814	-	3,949	-
<b>TOTAL</b>	<b>\$ 1,914,441</b>	<b>\$ 252,057</b>	<b>\$ 477,896</b>	<b>\$ 2,644,394</b>	<b>\$ 2,499,294</b>

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**FREEDOM SCHOOL PARTNERS, INC.****STATEMENT OF CASH FLOWS****Year Ended December 31, 2018, With Prior Year Comparative Totals**

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	<u>2018</u>	<u>2017</u>
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 64,805	\$ (132,541)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,389	3,169
Gain on disposal of equipment	-	(4,089)
(Increase) decrease in operating assets:		
Prepaid expenses	3,711	(1,155)
Promises to give	4,000	6,000
Sales tax refund	(396)	250
Stock proceeds receivable	3,640	(13)
Increase in operating liabilities:		
Accounts payable and accrued expenses	8,795	(24,612)
<b><i>Cash Flows From Operating Activities</i></b>	<b><i>85,944</i></b>	<b><i>(152,991)</i></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(5,443)	(800)
Proceeds from the disposal of property and equipment	-	4,089
<b><i>Cash Flows From Investing Activities</i></b>	<b><i>(5,443)</i></b>	<b><i>3,289</i></b>
<b><i>CHANGE IN CASH</i></b>	<b><i>80,501</i></b>	<b><i>(149,702)</i></b>
<b><i>CASH, BEGINNING</i></b>	<b><i>739,745</i></b>	<b><i>889,447</i></b>
<b><i>CASH, ENDING</i></b>	<b><i>\$ 820,246</i></b>	<b><i>\$ 739,745</i></b>

## **NOTE 1 - NATURE OF ORGANIZATION AND ACTIVITIES**

Freedom School Partners, Inc. (the Organization) is a non-profit organization formed on November 29, 1999, in the State of North Carolina. Its purpose is to promote the long-term success of children by preventing summer learning loss through igniting a passion for reading and inspiring a love of learning. The Organization's funding primarily comes from private grants and contributions.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to the following two classes of net assets:

- *Net assets without donor restrictions:* Net assets that are not subject to any donor-imposed stipulations and which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its program or supporting services. Designated net assets represent funds designated by the Organization for specific purposes. However, these funds have not been restricted by donors and are available for any purpose at the Organization's discretion.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed stipulations. These net assets may be temporarily restricted, with the restriction being met either by actions of the Organization or the passage of time, or permanently restricted, which are subject to donor-imposed stipulations that they be maintained permanently by the Organization. During the year, the Organization had no permanently restricted net assets.

### Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted support received is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Restricted grants and contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

### Promises to give

The Organization recognizes promises of grants and contributions as support in the year the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Based on the historical collectability of promises receivable from the organizations making the promises, management has determined that no allowance for doubtful accounts is required. Promises to give as of December 31, 2018 are expected to be collected within one year.



**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance non-financial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated goods, if significant, are included in support at fair value. During the year, the Organization recorded no donated services or goods.

The Organization receives a substantial amount of donated services from unpaid volunteers in carrying out its program activities. No amounts have been reflected in the financial statements for these services since they generally do not meet the criteria for recognition described above.

Donated facilities

Donated facilities are recorded as contributions at the estimated fair rental value. For the year ended December 31, 2018, the fair value of this donated rent has been calculated at \$89,203 with a like amount included in occupancy expense. This amount is comprised of \$86,275 for the Organization's corporate offices and \$2,928 for offsite storage space. The Organization's corporate offices are leased from Covenant Presbyterian Church. The offsite storage space is donated by MorningStar Storage.

Functional allocation of expenses

The Organization's activities are focused in three functional areas. Program services represent the primary focus of the Organization's activities. Supporting services are fundraising activities and general and administrative activities. The expenses that are allocated include personnel, which are allocated on the basis of estimates of time and effort. Occupancy, supplies, travel and meetings, professional fees, telephone, liability insurance, marketing, printing, equipment and vehicle, postage, dues and subscriptions, service charges, and miscellaneous are allocated based on similar percentages as total personnel expenses, except that if a cost relates to a specific employee, that cost is allocated the same way that their salary is. Curriculum and training, bus rental, field trips/activities, food, evaluations, uniforms, site technology, year-round engagement, parent meetings, and celebrations are fully allocated to program services. The costs of providing the various programs and other activities are summarized in the accompanying financial statements.

Income tax status

Freedom School Partners, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not classified as a private foundation as defined by Section 509(a)(1) of the IRC.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**FREEDOM SCHOOL PARTNERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Organization's December 31, 2017 financial statements, from which the summarized information was derived. Certain prior-year information has been reclassified to conform to current-year presentation.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Purchased fixed assets are carried at cost and donated fixed assets are recorded at their fair value at the date of the gift, when the cost or the fair value exceeds \$500. Depreciation expense is provided using the straight-line method over the estimated useful lives, which range from 3 to 7 years.

At December 31, 2018, property and equipment are composed of the following:

Machinery and equipment	\$ 71,404
Leasehold Improvements	<u>45,220</u>
Total	116,624
Less - accumulated depreciation	<u>(111,360)</u>
Total	<u>\$ 5,264</u>

**NOTE 4 - NET ASSETS**

Designated

The Board of Directors of Freedom School Partners, Inc. designates funds for sponsoring partner reserves and working capital reserves. At December 31, 2018, the designated amount for sponsoring partners and summer subsidy was \$34,000 while working capital reserves were \$267,955, totaling \$301,956.

With donor restrictions

The Organization's net assets with donor restrictions at December 31, 2018, are as follows:

Time Restricted:	
For use at specific summer program site in 2019	\$ 15,000
Purpose Restricted:	
Secondary scholar program	<u>8,568</u>
	<u>\$ 23,568</u>

**NOTE 5 - LEASE COMMITMENTS**

The Organization leases office equipment under non-cancelable lease agreements. Lease payments for the year ended December 31, 2018 totaled \$9,349. Subsequent to year-end, the Organization entered into a new lease for storage space. Minimum future rental payments related to these leases as of December 31, 2018 (including this new lease) are as follows:

Year Ending December 31:	
2019	\$ 27,920
2020	32,580
2021	33,322
2022	4,966
	<hr/>
	\$ 98,788
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**NOTE 6 - OTHER COMMITMENT**

During the year, the Organization entered into a contract for technology services at a total price of \$134,000. At year-end, \$120,600 remained unpaid on this contract.

**NOTE 7 – RETIREMENT PLAN**

The Organization maintains a SIMPLE IRA Plan. The Organization makes matching contributions up to three percent of a participating employee’s annual salary. The Organization’s contributions to this plan were \$8,199 for the year ended December 31, 2018.

**NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has \$827,294 of financial assets available within one year of the balance sheet date to meet cash needs for expenditures, consisting of cash of \$820,246 and receivables of \$7,048. These receivables are expected to be collected within one year of year-end. Of these financial assets, \$23,568 are subject to donor restrictions that make them unavailable for general expenditure. The Organization has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet one year of normal operating expenses, which are, on average, approximately \$800,000.

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK**

Cash

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Organization as of December 31, 2018, includes \$404,173 in excess of insured limits covered by the FDIC. However, the Organization believes it is not exposed to any significant credit risk related to these accounts.

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK, continued**

Geographic location

The Organization operates in a limited geographic area and as a result is sensitive to changes in the local economy.

Revenue and receivables

For the year ended December 31, 2018, contributions from five donors comprise 24 percent of all cash contributions.

**NOTE 10 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the audited financial statements were available for issuance. During this period, no material recognizable subsequent events were identified, except as disclosed in Note 5 above.